

Finding 13-01

Non-Material Non-Compliance

Davis-Bacon Act

**U.S. Department of Transportation
Program: Federal Transit Cluster
CFDA #20.500 & 20.507**

Criteria: The City is required to comply with the requirements of the Davis-Bacon Act that are applicable to the construction work financed with a Federal grant or loan. The Davis-Bacon Act requires that the City obtain and review certified payroll from construction contractors, for applicable projects, to ensure that the prevailing wage rates are being paid to sub-contractors. If the prevailing rate is not being paid, the City must report to the U.S. Department of Transportation.

Context & Condition: During testing, it was noted that the City did not obtain and review the certified payroll from the contractor for the entire year and there were instances where the contractor did not pay the prevailing wage rate.

Effect: The City was not in compliance with the Davis-Bacon Act.

Cause: Misunderstanding of what projects were subject to the requirements of the Davis-Bacon Act.

Recommendation: Adapt a policy consistent to the requirements of the Davis-Bacon Act and implement controls to ensure the policy is in place throughout the City.

Questioned Costs: The known questioned costs were determined to be below the amount that must be reported.

Management Response:

Finding 13-02

Non-Material Non-Compliance

Allowable Costs / Cost Principles

U.S. Department of Housing and Urban Development Program: Community Development Block Grant CFDA #14.218 & 14.253

Criteria: Per 24 CFR Part 225 Cost Principles for State, Local, and Tribal Governments the City is required to obtain certifications, at least semiannually, for employees working on a single federal award and a personnel activity report or equivalent documentation, at least monthly, for employees working on multiple federal awards.

Context & Condition: During testing of the Community Development Block Grant ("CDBG") expenditures, it was noted that the City did not maintain personnel activity reports on CDBG employees that are allocated between multiple federal programs.

Effect: The City may charge CDBG for ineligible planning and administrative costs.

Cause: The City used percentages to determine the employees' salary that would be charged to each grant but these percentages were not supported by personnel activity reports.

Recommendation: The City should establish written procedures that will require all costs charged to the CDBG program to be properly supported by personnel activity reports or certifications.

Management Response:

Finding 13-03

Non-Material Non-Compliance

Subrecipient Monitoring

**U.S. Department of Housing and Urban Development
Program: Community Development Block Grant
CFDA #14.218 & 14.253**

Criteria: OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations Subpart D requires that the City ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year meet the single audit requirements for the fiscal year.

Context & Condition: During testing, it was noted that the City obtained audit reports for the sub-recipients that required an audit. However, the City did not follow up with these sub-recipients by monitoring the single audit submission to the Federal Clearing House or obtaining certifications that they there were not subject to single audit requirements.

Effect: The City's sub-recipients could be out of compliance by not timely submitting the required single audit information.

Cause: Due to staffing turnover, the City's previous monitoring system was abandoned.

Recommendation: The City should establish written policies and procedures that will ensure that all sub-recipient monitoring requirements are in place and functioning.

Management Response:



MEMORANDUM TO: Lonnie Keogh, Cherry Bekaert Manager

FROM: Rhonda Devan, Audit Services Manager

DATE: October 16, 2013

SUBJECT: Historical SEFSA Reporting Process and Reconciliation

In order to completely and accurately report current fiscal year expenditures in the *Schedule of Expenditures of Federal and State Awards* (SEFSA) report, we conducted the following review process to verify year-to-date CAFR and SEFSA expenditures reported for each federal and state grant recorded on the City's books:

1. Downloaded annual expenditures from the general ledger for each grant by fiscal year;
2. Compared actual expenditures incurred to amounts reported on SEFSA in each respective fiscal year;
3. Reviewed eligibility by grant to determine applicable reporting and timing requirements;
4. Calculated life-to-date total expenditures reported vs. revenues earned to determine if in balance based on original award commitment and if ready for close out.

Based on our review and reconciliation, we found the following reporting practices that were not in conformance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act:

- Over reported expenditures based on grant funds received but not spent (eligibility requirements not met);
- Under reported expenditures due to unknown grant funding levels and/or untimely reporting processes.

| Program Title | Grantor's Number | CFDA # | Under/ (Over) |
|--|-------------------------------------|-------------------|----------------------|
| Fair Housing Assistance Program (FHAP) | FF204K104018 | 14.401 | \$ (32,316) |
| Bulletproof Vest Partnership 2011 ARRA - Justice Assistant Grant | 2011BUBX11058244 2009-SB-B9-0932 | 16.607 16.804 | 1,204 |

| | | | |
|--|---------------|--------|-----------|
| | | | 4,464 |
| Federal Transit Authority - ARRA Capital | Various | 20.500 | (6,988) |
| Federal Transit Authority - JARC | Various | 20.516 | (2,565) |
| East Oakview Bridge | B-4343 | 20.205 | (244,081) |
| Pack Square | U-4919 | 20.205 | 277,932 |
| Special Appropriations-WNC Nature Center | N/A | N/A | (79,743) |
| Recycle Roll Carts | Contract 4315 | N/A | 7,500 |
| | | | \$ |
| | | | (74,593) |

The City has since made necessary reporting and process improvements to comply with applicable reporting requirements for the preparation of the FY13 SEFSA report.